

DEPARTMENT OF STATE REVENUE

Information Bulletin #108
Income Tax
July 2014
Effective Date: July 1, 2014

SUBJECT: Income Tax Credit for Contributions to a Scholarship-granting Organization

REFERENCES: [IC 6-3.1-30.5](#); [IC 20-51](#); [512 IAC 3-1](#)

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SUMMARY

The School Scholarship Tax Credit was originally established by P.L. 182-2009 (ss) effective for contributions made after Dec. 31, 2009, to a scholarship-granting organization. Pursuant to HEA 1003-2013 and effective for taxable years beginning after Dec. 31, 2012, the School Scholarship Tax Credit can be carried forward for nine years after the year in which the credit is first available. Pursuant to HEA 1001-2013 and effective July 1, 2013, the maximum annual credit cap for all taxpayers is \$7.5 million per state fiscal year. HEA 1004-2014 provides that a taxpayer is not entitled to the credit if the contribution is used to provide assistance or a scholarship to a child participating in the early education grant program.

DEFINITIONS

"Scholarship-granting organization" means an organization that is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and conducts a school scholarship program without limiting the availability of scholarships to students of only one participating school.

"School scholarship program" means a scholarship program certified by the Department of Education under [IC 20-51](#).

"State tax liability" means a taxpayer's total tax liability that is incurred under the adjusted gross income tax, the financial institutions tax, and the insurance premium tax.

"Taxpayer" means an individual or entity that has any state tax liability.

ENTITLEMENT TO THE CREDIT

A taxpayer that makes a contribution to a scholarship-granting organization for use by the scholarship-granting organization in a school scholarship program is entitled to a credit against the taxpayer's state tax liability in the taxable year in which the taxpayer makes the contribution. Among other restrictions, this credit relates only to contributions that ultimately are used by public or nonpublic elementary schools or high schools. The credit is not available for contributions that are used by colleges, universities, or other institutions of higher education. The credit is also not available for contributions to a scholarship-granting organization that is used to provide a scholarship or assistance to a child participating in the early education grant pilot program under [IC 12-7.2-7.2](#).

The amount of the credit is equal to 50% of the contribution made to the scholarship-granting organization for a school scholarship program. For taxpayers entitled to a tax credit for a taxable year beginning before Jan. 1, 2013, the taxpayer is not entitled to a carryover, carryback, or refund of an unused credit. For taxpayers entitled to a tax credit for a taxable year beginning on or after Jan. 1, 2013, the credit can be carried forward for nine years after the year in which it is first available.

A pass-through entity that is entitled to a credit but does not have state tax liability against which the credit may be applied may pass through the credit to a shareholder, partner, or member of the pass-through entity.

To apply a credit against the taxpayer's state tax liability, a taxpayer must claim the credit on the taxpayer's annual state tax return and must complete Schedule IN-SSC, which is available at <http://www.in.gov/dor/4657.htm> on the department's website.

A contribution to a scholarship-granting organization shall be considered as having been made for use in a school scholarship program if:

- The contribution is made directly to a school scholarship-granting organization; and
- The taxpayer, prior to or at the time of the contribution, designates in writing to the scholarship-granting organization that the contribution is to be used only for a school scholarship program; or
- The scholarship-granting organization provides the taxpayer with written confirmation that the contribution will be dedicated solely for use in a school scholarship program.

MAXIMUM CREDIT

There is no limit on the amount of credit an individual taxpayer can claim. The maximum credit for all taxpayers in a state fiscal year is limited to \$7,500,000.

ADDITIONAL INFORMATION

For more information concerning the school scholarship program, multiple resources are available. Information related to the application of the credit can be found on the Indiana Department of Revenue's website at <http://www.in.gov/dor/4305.htm>. Additional information from the Indiana Department of Education is available at <http://www.doe.in.gov/choice/school-scholarships>. For a complete list of scholarship-granting organizations, click the Approved SGOs link at the bottom of the Department of Education website.

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Commissioner

Posted: 07/30/2014 by Legislative Services Agency
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